

GUTHRIE COUNTY HOSPITAL  
INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEARS ENDED JUNE 30, 2020 AND 2019

# GUTHRIE COUNTY HOSPITAL

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GUTHRIE COUNTY HOSPITAL  
Officials  
June 30, 2020

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Mary Sheeder, Chairperson	Guthrie Center, Iowa	2022
Peg Shroyer, Vice-Chairperson	Panora, Iowa	2020
John Tews, Secretary	Bayard, Iowa	2022
Michael Underwood, Treasurer	Guthrie Center, Iowa	2022
Chris Schafer	Adair, Iowa	2022
Roberta Simmons	Panora, Iowa	2022
Cheryl Marks (Appointed July, 2020)	Stuart, Iowa	2020
Danielle Fink (Resigned June, 2020)	Panora, Iowa	
<u>Chief Executive Officer:</u>		
Patrick Peters	Dexter, Iowa	
<u>Chief Financial Officer:</u>		
Kirk Johnson (Began October, 2019)	Waukee, Iowa	
Troy Eller (Resigned September, 2019)	West Des Moines, Iowa	

# Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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DAVID A. GINTHER

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Guthrie County Hospital  
Guthrie Center, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Guthrie County Hospital (Hospital) and its discretely presented component unit, Guthrie County Hospital Foundation (Foundation) as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Hospital's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital and its discretely presented component unit's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital and its discretely presented component unit's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees  
Guthrie County Hospital

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guthrie County Hospital and its discretely presented component unit as of June 30, 2020 and 2019 and the changes in their financial position, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note Q, the Hospital may be adversely affected by the global Novel Coronavirus (COVID-19) pandemic. The Hospital cannot at this time reasonably estimate the length or severity of this pandemic, or the extent to which the disruptions may impact the Hospital's financial position, results of operations, or cash flows in 2021 and beyond. Our conclusion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Schedule, and the Schedules of the Hospital's Proportionate Share of the Net Pension Liability and of Hospital Pension Contributions (and the related notes) on pages 3 through 3g and on pages 34 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2021 on our consideration of Guthrie County Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Guthrie County Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Guthrie County Hospital's internal control over financial reporting and compliance.

*Stonewall, Bell, Hyman & Co. P.C.*

Atlantic, Iowa  
February 1, 2021



*The expertise you need. The personal care you want.*

## GUTHRIE COUNTY HOSPITAL Management's Discussion and Analysis

The financial statements enclosed contain the financial information of Guthrie County Hospital (the Hospital) and Guthrie County Hospital Foundation (the Foundation). This discussion and analysis of the Hospital's financial performance provides an overview of their financial activity for the fiscal years ended June 30, 2020, 2019, and 2018. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow. The financial information of the discretely presented Foundation is not part of this discussion and analysis.

### FINANCIAL HIGHLIGHTS

The Hospital's total assets and deferred outflows of resources increased approximately \$5,410,000 (27.2%) from 2019 to 2020 (\$1,386,000 (7.5%) increase from 2018 to 2019). Net position, or total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources, increased approximately \$896,000 (9.3%) from 2019 to 2020 (\$2,187,000 (29.4%) increase from 2018 to 2019).

The Hospital reported operating revenues for the year of \$15.6 million, a decrease of approximately \$1,439,000 or 8.4% from 2019 to 2020 (\$17.1 million in 2019, an increase of approximately \$1,884,000 or 12.4% from 2018 to 2019). Increase in net position, or revenues after all expenditures, for 2020 was \$896,000, a decrease of approximately \$1,291,000 from 2019 to 2020 (\$2,187,000 in 2019, an increase of approximately \$2,174,000 from 2018 to 2019).

The Hospital reported expenditures for the year of \$17.8 million, an increase of approximately \$914,194 or 5.4% from 2019 to 2020 (\$16.9 million in 2019, a decrease of approximately \$96,000 (.6%) from 2018 to 2019).

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Hospital's financial activities.

The basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. These statements provide information about the activities of the Hospital on a comparative basis, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

GUTHRIE COUNTY HOSPITAL  
Management's Discussion and Analysis - Continued

Required Supplementary Information further explains and supports the financial statements with a comparison of the Hospital's budget for the year, and the Hospital's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the operations of the Hospital, including various comparative statistical and financial information.

## **REPORTING THE HOSPITAL'S FINANCIAL ACTIVITIES**

### *The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position*

One of the most important questions asked about the Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way which helps answer this question. These statements include all assets (restricted and unrestricted), deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position, which is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in the Hospital's patient base, changes in local medical staff, access to visiting medical specialists, the Hospital's short and long term strategy, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic conditions, are also important in making this determination.

### *The Statement of Cash Flows*

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

GUTHRIE COUNTY HOSPITAL  
Management's Discussion and Analysis - Continued

**THE HOSPITAL'S NET POSITION**

The Hospital's net position is the difference between its assets and deferred outflows of resources, and liabilities and deferred inflows of resources reported in the Statement of Net Position on page 4. The following table, Table 1, presents a summary of the Hospital's Statements of Net Position.

**Table 1**  
**Condensed Statements of Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets and Deferred Outflows of Resources:			
Current assets	\$ 9,460,220	\$ 9,200,701	\$ 7,325,965
Capital assets, net	8,016,535	8,423,469	8,745,161
Other noncurrent assets	6,231,036	285,913	264,905
Deferred outflows of resources	<u>1,606,180</u>	<u>1,993,804</u>	<u>2,181,961</u>
 Total assets and deferred outflows of resources	 <u>\$ 25,313,971</u>	 <u>\$ 19,903,887</u>	 <u>\$ 18,517,992</u>
Liabilities:			
Current liabilities	\$ 2,355,375	\$ 1,533,825	\$ 2,078,224
Long-term debt	965,260	341,903	677,507
Net pension liability	<u>5,530,645</u>	<u>6,144,526</u>	<u>6,253,246</u>
 Total liabilities	 8,851,280	 8,020,254	 9,008,977
 Deferred Inflows of Resources	 5,929,814	 2,246,683	 2,059,168
Net Position:			
Invested in capital assets, net of related debt	7,711,323	7,571,107	7,423,404
Restricted - expendable	265,035	264,416	263,957
Unrestricted	<u>2,556,519</u>	<u>1,801,427</u>	<u>( 237,514)</u>
Total net position	<u>10,532,877</u>	<u>9,636,950</u>	<u>7,449,847</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 25,313,971</u>	 <u>\$ 19,903,887</u>	 <u>\$ 18,517,992</u>

A significant component of the change in the Hospital's assets is the increase in other noncurrent assets by \$5,945,123. This was mainly due to an increase in internally designated assets (\$2,898,878) and restricted assets (\$3,057,584)

The most significant component of the change in the Hospital's liabilities was a \$821,550 increase in current liabilities. This was mainly due to an increase in current maturities of long-term debt (\$428,131) and an increase in estimated third-party payor settlements (\$355,000).



GUTHRIE COUNTY HOSPITAL  
Management's Discussion and Analysis - Continued

**OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION**

The following table, Table 2, presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2020, 2019, and 2018.

**Table 2**  
**Condensed Operating Results and Changes in Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenue:			
Net patient service revenue	\$ 15,314,141	\$ 16,807,029	\$ 14,917,762
Other revenue	<u>333,682</u>	<u>280,190</u>	<u>285,911</u>
Total revenue	<u>15,647,823</u>	<u>17,087,219</u>	<u>15,203,673</u>
Expenses:			
Salaries and benefits	11,244,923	10,614,232	10,468,767
Professional fees	1,317,079	1,300,817	1,188,303
Supplies, contract services, equipment & other operating expenses	4,231,105	3,925,210	4,282,643
Depreciation and amortization	<u>985,267</u>	<u>1,023,921</u>	<u>1,020,418</u>
Total expenses	<u>17,778,374</u>	<u>16,864,180</u>	<u>16,960,131</u>
Operating Income (Loss)	<u>( 2,130,551)</u>	<u>223,039</u>	<u>( 1,756,458)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,963,426	1,860,089	1,739,360
Investment income	41,739	13,614	2,460
Noncapital grants and contributions, including PRF	1,012,726	13,255	20,783
Gain on disposal of assets	--	250	--
Interest expense	<u>( 26,458)</u>	<u>( 45,962)</u>	<u>( 56,872)</u>
	<u>2,991,433</u>	<u>1,841,246</u>	<u>1,705,731</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) Before Capital Grants and Contributions	860,882	2,064,285	( 50,727)
Capital Grants and Contributions	<u>35,045</u>	<u>122,818</u>	<u>63,492</u>
Increase in net position	895,927	2,187,103	12,765
Net Position Beginning of Year	<u>9,636,950</u>	<u>7,449,847</u>	<u>7,437,082</u>
Net Position End of Year	<u>\$ 10,532,877</u>	<u>\$ 9,636,950</u>	<u>\$ 7,449,847</u>

GUTHRIE COUNTY HOSPITAL  
Management's Discussion and Analysis - Continued

**OPERATING LOSSES/INCOME**

The first component of the overall change in the Hospital's net position is its operating income (loss) - generally, the difference between net patient service revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss with the exception of 2019, which shows an operating profit due to the change in accounting estimate (Note M). This is consistent with the Hospital's entire operating history. The Hospital's operations began in 1951 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In the current fiscal year, the operating loss increased, as discussed in the following paragraphs.

Management's goal in 2020 was to continue the effort to increase the volume of patients treated both within the inpatient and outpatient settings coupled with maximizing reimbursement opportunities within existing service lines. Although growth did indeed occur in revenues, (after considering the change in accounting estimate described in the following paragraph) the COVID pandemic curtailed this growth considerably. Funds available from the CARES Act were utilized to offset the curtailed revenue as well as increased expenses related to the pandemic.

Overall, operating income decreased \$2,353,590. The primary component of the decrease in operating income was the \$2,200,000 change in accounting estimate (Note M) that increased operating income in 2019. In total, operating expenses increased \$914,000 (5.4%), coupled with a decrease in operating revenues of \$1,439,000 (8.4%).

GUTHRIE COUNTY HOSPITAL  
Management's Discussion and Analysis - Continued

**NON-OPERATING REVENUES AND EXPENSES**

Non-operating revenues consist primarily of property taxes levied by the Hospital, interest income reported as investment earnings, and non-capital grants and contributions. In 2020, CARES Act provider relief fund was also a part of this revenue.

The Hospital's Non-operating Revenues and Expenses increased by \$1,150,187 comparing fiscal 2020 and 2019 (increased by \$135,515 comparing fiscal 2019 and 2018). This increase was primarily due to the CARES Act provider relief funds of \$965,347.

**GRANTS, CONTRIBUTIONS, AND ENDOWMENTS**

The Hospital actively seeks contributions through its Foundation and continues to explore applicable grant opportunities. Currently, the hospital is sharing the capital expenditures with the Foundation to upgrade the walk-in freezer located in the dietary department.

**THE HOSPITAL'S CASH FLOW**

Cash flows provided by operating activities for 2020 were \$750,267. Comparatively, for fiscal 2019, cash flows provided by operating activities were \$137,381 a net change of \$612,886. The net change is primarily due to significant changes in the increase of receipts from patients and third-party payor settlements, which provided an increase in cash flow of \$1,426,000 in 2020, compared to 2019.

**BUDGETARY HIGHLIGHTS**

The official county budget of the Hospital for the year ended June 30, 2020, was prepared on the modified accrual basis. Actual budget basis revenues were higher than the budgeted amount of \$16,633,656 by \$2,067,103, or about 12.4 percent. Actual expenditures were lower than budgeted expenditures. Actual budget basis expenditures were \$17,797,416 as compared to budgeted expenditures of \$20,861,773, a difference of \$3,064,357 or about 14.6 percent.

GUTHRIE COUNTY HOSPITAL  
Management's Discussion and Analysis - Continued

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:**

During the fiscal year, the Hospital made capital investments totaling \$570,917. The following table, Table 3, presents a list of significant capital items:

**Table 3  
Capital Investments**

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2020 Cost</u>
Stuart Physical Therapy	Multiple	Physical Therapy	\$ 366,061
Computer Workstations	CDW	Information Tech	\$ 66,133

Capital assets for the years ended June 30, 2020, 2019, and 2018 are shown in the following table, Table 4:

**Table 4  
Capital Assets**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 1,393,591	\$ 1,393,591	\$ 1,389,673
Buildings	12,690,451	12,687,819	12,622,086
Fixed equipment	2,332,136	2,191,463	2,145,948
Major movable equipment	<u>7,909,727</u>	<u>7,708,822</u>	<u>7,274,188</u>
Subtotal	24,325,905	23,981,695	23,431,895
Less accumulated depreciation	16,828,848	15,850,997	14,840,036
Construction in progress	<u>519,478</u>	<u>292,771</u>	<u>153,302</u>
Net capital assets	<u>\$ 8,016,535</u>	<u>\$ 8,423,469</u>	<u>\$ 8,745,161</u>

Net capital assets decreased as current year depreciation exceeded current year capital acquisitions.

**GUTHRIE COUNTY HOSPITAL**  
**Management's Discussion and Analysis - Continued**

**Debt:**

At year-end, the Hospital had \$1,903,850 in short-term and long-term debt. The total debt amount increased by \$1,051,488 in fiscal year 2020. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements.

The increase in long term debt was the result in the Hospital receiving a Paycheck Protection Program Loan in the amount of \$1,601,942. This loan is subject to forgiveness if certain criteria are met as discussed in the notes to the basic financial statements.

**CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration at Guthrie County Hospital, 710 N. 12<sup>th</sup> Street, Guthrie Center, Iowa 50115.

GUTHRIE COUNTY HOSPITAL  
Statements of Net Position  
June 30,

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 4,988,019	\$ 3,631,758
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$545,000 in 2020, \$428,000 in 2019)	1,660,308	2,006,464
Grant receivables	4,623	4,623
Other receivables	22,794	23,037
Inventory	427,746	451,627
Prepaid expense	158,476	183,745
Other current assets	18,535	14,651
Estimated third-party payor settlements	--	775,000
Succeeding year property tax receivable	1,935,000	1,869,000
Designated and restricted assets	244,719	240,796
Total current assets	<u>9,460,220</u>	<u>9,200,701</u>
Designated and Restricted Assets:		
Internally designated assets	3,151,685	252,807
Restricted assets	3,322,000	264,416
	<u>6,473,685</u>	<u>517,223</u>
Less amounts required to meet current liabilities	244,719	240,796
	<u>6,228,966</u>	<u>276,427</u>
Capital Assets:		
Depreciable capital assets, net	7,384,066	8,017,707
Non-depreciable capital assets	632,469	405,762
	<u>8,016,535</u>	<u>8,423,469</u>
Other Assets:		
Other	2,070	9,486
Total assets	23,707,791	17,910,083
Deferred Outflows of Resources - Pension	<u>1,606,180</u>	<u>1,993,804</u>
Total assets and deferred outflows of resources	<u>\$ 25,313,971</u>	<u>\$ 19,903,887</u>

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 938,590	\$ 510,459
Accounts payable	355,761	373,296
Accrued employee compensation	653,636	600,141
Payroll taxes withheld and accrued	47,589	40,268
Accrued interest payable	4,799	9,661
Estimated third-party payor settlements	355,000	--
Total current liabilities	<u>2,355,375</u>	<u>1,533,825</u>
Long-Term Liabilities:		
Revenue bonds, less current maturities	--	240,000
Note payable, less current maturities	896,527	--
Capital lease obligations, less current maturities	68,733	101,903
Net pension liability	<u>5,530,645</u>	<u>6,144,526</u>
Total long-term liabilities	<u>6,495,905</u>	<u>6,486,429</u>
Total liabilities	8,851,280	8,020,254
Deferred Inflows of Resources	5,929,814	2,246,683
Net Position:		
Invested in capital assets, net of related debt	7,711,323	7,571,107
Restricted - expendable	265,035	264,416
Unrestricted	<u>2,556,519</u>	<u>1,801,427</u>
Total net position	<u>10,532,877</u>	<u>9,636,950</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 25,313,971</u>	 <u>\$ 19,903,887</u>

GUTHRIE COUNTY HOSPITAL  
Statements of Revenues, Expenses and Changes in Net Position  
Year ended June 30,

	<u>2020</u>	<u>2019</u>
Revenue:		
Net patient service revenue	\$ 15,314,141	\$ 16,807,029
Other revenue	<u>333,682</u>	<u>280,190</u>
Total revenue	15,647,823	17,087,219
Expenses:		
Nursing service	3,239,943	3,278,213
Other professional service	5,408,097	5,132,059
Physician services	3,155,005	2,901,935
General service	1,615,490	1,532,927
Fiscal and administrative service	3,374,572	2,995,125
Provision for depreciation	977,851	1,016,504
Amortization	<u>7,416</u>	<u>7,417</u>
Total expenses	<u>17,778,374</u>	<u>16,864,180</u>
Operating Income (Loss)	( 2,130,551)	223,039
Non-Operating Revenues (Expenses):		
County taxes	1,963,426	1,860,089
Investment income	41,739	13,614
Noncapital grants and contributions	47,379	13,255
CARES Act provider relief funds	965,347	--
Gain on disposal of assets	--	250
Interest expense	<u>( 26,458)</u>	<u>( 45,962)</u>
Non-operating revenues, net	<u>2,991,433</u>	<u>1,841,246</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	860,882	2,064,285
Capital Grants and Contributions:		
CARES Act provider relief funds	5,000	--
Other	<u>30,045</u>	<u>122,818</u>
	<u>35,045</u>	<u>122,818</u>
Increase in Net Position	895,927	2,187,103
Net Position Beginning of Year	<u>9,636,950</u>	<u>7,449,847</u>
Net Position End of Year	<u>\$ 10,532,877</u>	<u>\$ 9,636,950</u>

The accompanying notes are an integral part of these statements.



GUTHRIE COUNTY HOSPITAL  
Statements of Cash Flows  
Year ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 16,790,540	\$ 15,363,611
Cash paid to suppliers	( 8,250,781)	( 7,722,797)
Cash paid to employees	( 8,123,174)	( 7,783,623)
Other revenue	333,682	280,190
Net cash provided by operating activities	<u>750,267</u>	<u>137,381</u>
Cash flows from non-capital financing activities:		
County tax revenue	1,963,426	1,860,089
Noncapital grants and contributions - CARES Act provider relief funds	4,027,312	--
Noncapital grants and contributions - other	<u>47,379</u>	<u>13,255</u>
Net cash provided by non-capital financing activities	6,038,117	1,873,344
Cash flows from capital and related financing activities:		
Capital grants and contributions	30,045	122,818
Capital expenditures	( 200,284)	( 355,342)
Construction in progress expenditures	( 367,329)	( 300,846)
Proceeds from disposal of equipment	--	250
Principal paid on long-term debt	( 520,000)	( 480,000)
Principal paid on capital lease	( 30,454)	( 28,019)
Proceeds from long-term debt	1,601,942	--
Interest paid	<u>( 31,320)</u>	<u>( 50,566)</u>
Net cash provided by (used in) capital and related financing activities	482,600	( 1,091,705)
Cash flows from investing activities:		
Investment income	<u>41,739</u>	<u>13,614</u>
Net increase in cash and cash equivalents	7,312,723	932,634
Cash and cash equivalents at beginning of year	<u>4,148,981</u>	<u>3,216,347</u>
Cash and cash equivalents at end of year	<u>\$ 11,461,704</u>	<u>\$ 4,148,981</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents in current assets	\$ 4,988,019	\$ 3,631,758
Cash and cash equivalents in designated and restricted assets	<u>6,473,685</u>	<u>517,223</u>
Total cash and cash equivalents	<u>\$ 11,461,704</u>	<u>\$ 4,148,981</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL  
Statements of Cash Flows - Continued  
Year ended June 30,

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$( 2,130,551)	\$ 223,039
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	977,851	1,016,504
Amortization	7,416	7,417
Change in assets and liabilities		
Accounts receivable	346,399	( 78,418)
Inventory	23,881	3,880
Prepaid expense	25,269	( 16,511)
Other current assets	( 3,884)	( 1,478)
Deferred outflows of resources - pension	387,624	188,157
Accounts payable, trade	( 20,839)	151,353
Accrued employee compensation	53,495	30,545
Payroll taxes withheld and accrued	7,321	2,098
Estimated third-party payor settlements	1,130,000	( 1,365,000)
Net pension liability	( 613,881)	( 108,720)
Deferred inflows of resources - pension	560,166	84,515
Total adjustments	<u>2,880,818</u>	<u>( 85,658)</u>
Net cash provided by operating activities	<u>\$ 750,267</u>	<u>\$ 137,381</u>

Non-Cash Transactions:

The Hospital also incurred the following non-cash transactions in addition to the transactions reflected in the reconciliation of operating income (loss) to net cash provided by operating activities:

	<u>2020</u>	<u>2019</u>
Capital leases were entered into for the purchase of equipment	<u>\$ --</u>	<u>\$ 65,752</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL FOUNDATION  
Statements of Financial Position  
June 30,

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 383,554	\$ 209,026
Total current assets	<u>383,554</u>	<u>209,026</u>
Investments	4,342,385	4,342,757
Property and Equipment, Net	<u>15,510</u>	<u>23,130</u>
Total assets	<u>\$ 4,741,449</u>	<u>\$ 4,574,913</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 283	\$ 1,727
Total current liabilities	<u>283</u>	<u>1,727</u>
Net Assets:		
Without donor restrictions	<u>4,741,166</u>	<u>4,573,186</u>
Total liabilities and net assets	<u>\$ 4,741,449</u>	<u>\$ 4,574,913</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL FOUNDATION  
Statements of Activities and Changes in Net Assets  
Year ended June 30,

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions:		
Revenues, Gains and Other Support:		
Unrestricted contributions	\$ 112,896	\$ 50,596
Fundraising events (net of \$10,396 and \$11,521 direct expenses for 2020 and 2019 respectively)	( 1,306)	14,779
Investment income	<u>123,377</u>	<u>131,869</u>
Total revenues, gains and other support	234,967	197,244
Expenses:		
Depreciation	7,620	9,040
Assistance to the Hospital	37,808	124,724
Professional fees	2,940	6,122
Vehicle expense	5,056	4,793
Other expenses	5,195	7,593
Total expenses	<u>58,619</u>	<u>152,272</u>
Operating Income	176,348	44,972
Change in Unrealized Gains and Losses on Investments	<u>( 8,368)</u>	<u>( 3,032)</u>
Change in Net Assets Without Donor Restrictions	167,980	41,940
Net Assets Beginning of Year	<u>4,573,186</u>	<u>4,531,246</u>
Net Assets End of Year	<u>\$ 4,741,166</u>	<u>\$ 4,573,186</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL FOUNDATION  
Statements of Cash Flows  
Year ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received through contributions and fundraising	\$ 121,986	\$ 76,896
Cash paid to suppliers and Hospital	( 52,443)	( 141,994)
Fundraising expenses	( 10,396)	( 11,521)
Investment income	<u>123,377</u>	<u>131,869</u>
Net cash provided by operating activities	182,524	55,250
Cash flows from investing activities:		
Capital expenditures	--	( 4,950)
Change in investments	( 7,996)	( 18,628)
Net cash used in inventory activities	<u>( 7,996)</u>	<u>( 23,578)</u>
Net increase in cash and cash equivalents	174,528	31,672
Cash and cash equivalents beginning of year	<u>209,026</u>	<u>177,354</u>
Cash and cash equivalents end of year	<u><u>\$ 383,554</u></u>	<u><u>\$ 209,026</u></u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

1. Reporting Entity

Guthrie County Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital.

The Guthrie County Hospital Foundation (the Foundation) has been identified as a legally separate component unit of the Hospital and accordingly, the financial statements of the Foundation have been included as a discretely presented component unit on pages 8 through 10. The Foundation is a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS to maintain its exempt status. Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital.

Separate financial statements of the Hospital have been issued which do not include the discretely presented financial statements of the Foundation.

2. Basis of Presentation

The Statement of Net Position displays the Hospital's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position:*

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Hospital's policy to use restricted net position first.

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less including designated and restricted assets.

6. Accounts Receivable

Accounts receivable are shown at the amount expected to be collected after determining an allowance for doubtful accounts and for contractual adjustments.

7. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

8. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

9. Designated and Restricted Assets

Internally designated assets consist primarily of funds designated by the Board of Trustees for capital acquisitions. The Board retains control over these funds, and may, at its discretion, subsequently use them for other purposes. Restricted assets include donor restricted gifts, and funds whose use is limited by law, bond covenants or contractual terms of agreements.

10. Net Assets - Foundation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

*Net Assets With Donor Restrictions* - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

The Foundation did not have any net assets with donor restrictions as of June 30, 2020 and 2019.



GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

11. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of two years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to fifty years for buildings and land improvements and three to twenty years for equipment). Amortization of capital leases is included with depreciation on the statement of revenues, expenses and changes in net position.

12. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Hospital after the measurement date but before the end of the Hospital's reporting period.

13. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. The succeeding year property tax receivable has been recorded as a current asset and the related property tax revenue has been recorded as a deferred inflow of resources. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

14. Compensated Absences

Hospital policies permit most employees to accumulate vacation, holiday, and sick time benefits that may be realized as paid time off. Expense and the related liability are recognized as benefits are earned. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

15. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

16. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, the unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan assets and the unearned portion of CARES Act provider relief funds that will not be recognized as revenue until the year for which they are expended.

17. Statement of Revenues, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Property tax levied to finance the current year is included as non-operating revenues and peripheral or incidental transactions are reported as non-operating revenues and expenses.

18. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

19. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

20. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service, depending on the timing of the charity determination.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute services, inpatient nonacute services, and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries.

Medicaid - Through March of 2016 the Medicaid payment system was similar to Medicare. In April 2016 the State of Iowa Medicaid program switched to a managed care payment system, with payment rates based on previous year cost reports. The Hospital will continue to file cost reports to determine payment rates for future years.

The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2018. The Medicaid cost reports have been finalized through June 30, 2017. However, finalized cost reports are subject to re-opening by the intermediary within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

A schedule of patient service revenue and related adjustments for the years ended June 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Gross patient service revenue:		
Inpatient and swing bed services	\$ 3,338,352	\$ 3,459,675
Outpatient	12,564,808	10,977,645
Physician services	<u>3,298,129</u>	<u>3,353,613</u>
Total gross patient service revenue	<u>19,201,289</u>	<u>17,790,933</u>
Deductions from gross patient service revenue:		
Medicare	648,289	( 1,160,675)
Medicaid	620,728	360,200
Provision for bad debts	171,806	253,357
Charity care	87,469	23,355
Other deductions	<u>2,358,856</u>	<u>1,507,667</u>
Total deductions from gross patient service revenue	<u>3,887,148</u>	<u>983,904</u>
Net patient service revenue	<u>\$ 15,314,141</u>	<u>\$ 16,807,029</u>

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE C - RESTRICTED ASSETS

Restricted expendable assets are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Long-term debt	\$ 241,415	\$ 240,796
Purchase of property and equipment	23,620	23,620
COVID-19 related expenses or lost revenue	<u>3,056,965</u>	<u>--</u>
	<u>\$ 3,322,000</u>	<u>\$ 264,416</u>

The Hospital has no restricted non-expendable assets or endowments at June 30, 2020 or 2019.

Following is a summary of the use of temporarily restricted assets during the year ended June 30:

	<u>2020</u>	<u>2019</u>
Purchase of capital items	\$ 35,045	\$ 122,818
COVID-19 related expenses or lost revenue	<u>965,347</u>	<u>--</u>
	<u>\$ 1,000,392</u>	<u>\$ 122,818</u>

NOTE D - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2020 and 2019 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. See Note O regarding the Foundation's investments. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; common stocks; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE D - DEPOSITS AND INVESTMENTS - Continued

The composition of designated and restricted assets and investments is as follows:

	<u>2020</u>	<u>2019</u>
<u>Hospital</u>		
Internally Designated Assets:		
Capital acquisitions:		
Cash and cash equivalents	\$ 3,151,685	\$ 252,807
Restricted Assets:		
Cash and cash equivalents	\$ 3,322,000	\$ 264,416
<u>Foundation</u>		
Investments:		
Certificates of deposit	\$ 156,862	\$ 153,864
Land	4,120,015	4,120,015
Equity securities	65,508	68,878
	<u>\$ 4,342,385</u>	<u>\$ 4,342,757</u>

Investment income for designated and restricted assets, cash equivalents, and other investments is comprised of the following for the year ended June 30:

	<u>2020</u>	<u>2019</u>
<u>Hospital</u>		
Interest income	\$ 41,739	\$ 13,614
<u>Foundation</u>		
Interest and dividend income	\$ 11,149	\$ 11,126
Rental income on land held for investment	112,228	120,743
	<u>\$ 123,377</u>	<u>\$ 131,869</u>

Interest Rate Risk - The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Hospital.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE E - FINANCIAL ASSETS AND LIQUIDITY RESOURCES (FOUNDATION)

Financial assets of the Foundation available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 383,554	\$ 209,026
Total financial assets available within one year	<u>\$ 383,554</u>	<u>\$ 209,026</u>

The Foundation does not have a formal liquidity policy but generally maintains financial assets in liquid form (cash) to be able to meet its current obligations. Cash in excess of current obligations is generally invested in certificates of deposit and equity securities, but those funds could be accessed if needed for current obligations.

NOTE F - FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Foundation, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

*Level 1 Fair Value Measurements*

The fair value of equity securities is based on quoted net asset values of the shares held by the Foundation at year-end.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE F - FAIR VALUE MEASUREMENTS - Continued

*Level 3 Fair Value Measurements*

The investment in land is not actively traded and significant other observable inputs are not available. Thus, the fair value of the investment in land is based on appraised value at the time the land was donated to the Foundation. Management believes this value approximates current fair value.

The following tables set forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2020 and 2019:

		Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>	<u>Fair Value</u>		
Equity securities	\$ 65,508	\$ 65,508	\$ --
Land	<u>4,120,015</u>	<u>--</u>	<u>4,120,015</u>
	<u>\$ 4,185,523</u>	<u>\$ 65,508</u>	<u>\$ 4,120,015</u>
<u>June 30, 2019</u>			
Equity securities	\$ 68,878	\$ 68,878	\$ --
Land	<u>4,120,015</u>	<u>--</u>	<u>4,120,015</u>
	<u>\$ 4,188,893</u>	<u>\$ 68,878</u>	<u>\$ 4,120,015</u>

The following tables reconcile the beginning and ending balances of fair value measurements for the Foundation's Level 3 assets using unobservable inputs for the years ended June 30, 2020 and 2019:

<u>June 30, 2020</u>	
Beginning balance	\$ 4,120,015
Improvements made to land	<u>--</u>
Ending balance	<u>\$ 4,120,015</u>
<u>June 30, 2019</u>	
Beginning balance	\$ 4,111,068
Improvements made to land	<u>8,947</u>
Ending balance	<u>\$ 4,120,015</u>

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE G - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Receivable from:		
Patients	\$ 908,010	\$ 951,758
Medicare	537,757	714,141
Medicaid	174,791	11,869
Wellmark	275,668	348,922
Other commercial insurance carriers	<u>309,082</u>	<u>407,774</u>
	2,205,308	2,434,464
Less allowances for doubtful accounts and contractual adjustments	<u>545,000</u>	<u>428,000</u>
	<u>\$ 1,660,308</u>	<u>\$ 2,006,464</u>

NOTE H - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2020 and 2019 were as follows:

<u>Cost</u>	<u>Balance 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2020</u>
Land Improvements	\$ 1,280,600	\$ --	\$ --	\$ 1,280,600
Buildings	12,687,819	2,632	--	12,690,451
Fixed Equipment	2,191,463	140,673	--	2,332,136
Major Movable Equipment	<u>7,708,822</u>	<u>200,905</u>	--	<u>7,909,727</u>
	23,868,704	344,210	--	24,212,914
<u>Depreciation</u>				
Land Improvements	831,569	65,910	--	897,479
Buildings	6,713,722	389,601	--	7,103,323
Fixed Equipment	1,870,144	93,531	--	1,963,675
Major Movable Equipment	<u>6,435,562</u>	<u>428,809</u>	--	<u>6,864,371</u>
Total Depreciation	<u>15,850,997</u>	<u>977,851</u>	--	<u>16,828,848</u>
Total Depreciable Capital Assets, Net	<u>\$ 8,017,707</u>	<u>\$ ( 633,641)</u>	<u>\$ --</u>	<u>\$ 7,384,066</u>
Construction in Progress	\$ 292,771	\$ 367,329	\$ 140,622	\$ 519,478
Land	<u>112,991</u>	--	--	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 405,762</u>	<u>\$ 367,329</u>	<u>\$ 140,622</u>	<u>\$ 632,469</u>



GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE H - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2019</u>
Land Improvements	\$ 1,276,682	\$ 3,918	\$ --	\$ 1,280,600
Buildings	12,622,086	65,733	--	12,687,819
Fixed Equipment	2,145,948	45,515	--	2,191,463
Major Movable Equipment	7,274,188	440,177	5,543	7,708,822
	<u>23,318,904</u>	<u>555,343</u>	<u>5,543</u>	<u>23,868,704</u>
<u>Depreciation</u>				
Land Improvements	765,680	65,889	--	831,569
Buildings	6,308,822	404,900	--	6,713,722
Fixed Equipment	1,774,937	95,207	--	1,870,144
Major Movable Equipment	5,990,597	450,508	5,543	6,435,562
Total Depreciation	<u>14,840,036</u>	<u>1,016,504</u>	<u>5,543</u>	<u>15,850,997</u>
Total Depreciable Capital Assets, Net	<u>\$ 8,478,868</u>	<u>\$ ( 461,161)</u>	<u>\$ --</u>	<u>\$ 8,017,707</u>
Construction in Progress	\$ 153,302	\$ 300,846	\$ 161,377	\$ 292,771
Land	<u>112,991</u>	<u>--</u>	<u>--</u>	<u>112,991</u>
Total Non-Depreciable Capital Assets	<u>\$ 266,293</u>	<u>\$ 300,846</u>	<u>\$ 161,377</u>	<u>\$ 405,762</u>

Foundation

A summary of property and equipment follows:

	<u>2020</u>	<u>2019</u>
Property and Equipment Cost	\$ 76,455	\$ 76,455
Less Accumulated Depreciation	<u>60,945</u>	<u>53,325</u>
	<u>\$ 15,510</u>	<u>\$ 23,130</u>

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE I - LONG-TERM LIABILITIES

A schedule of changes in the Hospital's long-term liabilities for the years ended June 30, 2020 and 2019 follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2020</u>	<u>Current Portion</u>
Long-Term Debt:					
Series 2006 Revenue Bonds	\$ 320,000	\$ --	\$ 200,000	\$ 120,000	\$ 120,000
Series 2009 Revenue Bonds	400,000	--	320,000	80,000	80,000
Paycheck Protection Program Loan	--	1,601,942	--	1,601,942	705,415
Capital Lease Obligations	132,362	--	30,454	101,908	33,175
Net Pension Liability	<u>6,144,526</u>	<u>--</u>	<u>613,881</u>	<u>5,530,645</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$6,996,888</u>	<u>\$1,601,942</u>	<u>\$1,164,335</u>	<u>\$7,434,495</u>	<u>\$ 938,590</u>
	<u>Balance 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2019</u>	<u>Current Portion</u>
Long-Term Debt:					
Series 2006 Revenue Bonds	\$ 480,000	\$ --	\$ 160,000	\$ 320,000	\$ 160,000
Series 2009 Revenue Bonds	720,000	--	320,000	400,000	320,000
Capital Lease Obligations	94,629	65,752	28,019	132,362	30,459
Net Pension Liability	<u>6,253,246</u>	<u>--</u>	<u>108,720</u>	<u>6,144,526</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$7,547,875</u>	<u>\$ 65,752</u>	<u>\$ 616,739</u>	<u>\$6,996,888</u>	<u>\$ 510,459</u>

The Series 2006 Hospital Revenue Bonds were issued in May, 2006 in a principal amount up to \$2,200,000. The bonds carry an interest rate of 4.00% per annum. The bonds mature in quarterly installments of principal in the amount of \$40,000 plus interest through March, 2021. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The Series 2009 Hospital Revenue Bonds were issued in September, 2009 in a principal amount up to \$3,200,000. The bonds carry an interest rate of 4.00% per annum. The bonds mature in quarterly installments of principal in the amount of \$80,000 plus interest through July, 2021. The bonds are payable from and secured by a lien on net revenues of the Hospital.

Paycheck Protection Program Loan (PPP Loan) - The Small Business Administration (SBA) Paycheck Protection Program Loan was obtained in May, 2020 from a local bank in a principal amount of \$1,601,942 for the purpose of protecting payroll during the COVID-19 pandemic. The loan carries an interest rate of 1% per annum. Starting in November, 2020, the loan matures in monthly installments of principal and interest of \$90,094 through April, 2022. The loan is unsecured and subject to forgiveness if certain criteria are met. The Hospital expects all proceeds to be forgiven.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE I - LONG-TERM LIABILITIES - Continued

The combined annual debt service on the PPP loan, revenue bonds, and capital lease obligation is expected to require approximately 44% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$577,000 and \$2,207,000, respectively.

Under the terms of the bond resolution, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The bond resolution also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding.

Assets recorded under capital leases, which carry interest rates of 6.3% and 4.0%, consists of major movable equipment with totals as follows:

	2020	2019
Cost	\$ 163,676	\$ 163,676
Less: Accumulated Amortization	<u>63,552</u>	<u>33,093</u>
Net Book Value	<u>\$ 100,124</u>	<u>\$ 130,583</u>

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Long-Term Debt		Capital Lease		Total
	Principal	Interest	Principal	Interest	
2021	\$ 905,415	\$ 18,534	\$ 33,175	\$ 5,749	\$ 962,873
2022	896,527	4,113	35,197	3,297	939,134
2023	--	--	31,568	963	32,531
2024	--	--	<u>1,968</u>	<u>36</u>	<u>2,004</u>
	<u>\$ 1,801,942</u>	<u>\$ 22,647</u>	<u>\$ 101,908</u>	<u>\$ 10,045</u>	<u>\$ 1,936,542</u>

The pension liability, as further described in Note J, represents an actuarial estimate of the Hospital's share of the Iowa Public Employee Retirement System (IPERS) unfunded pension liability.

NOTE J - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Hospital, except for those covered by another retirement system. Employees of the Hospital are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE J - PENSION PLAN - Continued

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE J - PENSION PLAN - Continued

In fiscal years 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Hospital contributed 9.44% of covered payroll for a total rate of 15.73%.

The Hospital's contributions to IPERS for the year ended June 30, 2020 and 2019 totaled \$721,159 and \$686,162, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020 and 2019, the Hospital reported a liability of \$5,530,645 and \$6,144,526, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Hospital's proportion was 0.095510%, which was a decrease of 0.001587% from its proportion measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Hospital recognized pension expense of \$1,060,271 and \$868,876, respectively. The Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020 Deferred Outflows of Resources	2020 Deferred Inflows of Resources	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,332	\$ 198,853	\$ 33,690	\$ 138,876
Changes of assumptions	592,411	--	876,555	--
Net difference between projected and actual earnings on IPERS investments	--	623,238	--	168,832
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	277,278	115,758	397,397	69,975
Hospital contributions subsequent to the measurement date	<u>721,159</u>	<u>--</u>	<u>686,162</u>	<u>--</u>
	<u>\$ 1,606,180</u>	<u>\$ 937,849</u>	<u>\$ 1,993,804</u>	<u>\$ 377,683</u>

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE J - PENSION PLAN - Continued

Deferred outflows of resources related to pensions of \$721,159 and \$686,162 represent the amount the Hospital contributed subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>2020 Amount</u>	<u>2019 Amount</u>
2020	\$ --	\$ 482,506
2021	205,655	329,018
2022	( 52,538)	64,818
2023	( 68,462)	49,880
2024	( 114,451)	3,737
2025	( 23,032)	--
	<u><u>\$ ( 52,828)</u></u>	<u><u>\$ 929,959</u></u>

There were no non-employer contribution entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increases (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE J - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability - June 30, 2020	\$ 9,820,640	\$ 5,530,645	\$ 1,932,244

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE J - PENSION PLAN - Continued

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Hospital's proportionate share of the net pension liability - June 30, 2019	\$ 10,428,496	\$ 6,144,526	\$ 2,550,913

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2020 and 2019, the Hospital reported payables to IPERS of \$17,927 and \$13,374, respectively, for legally required employer contributions and \$ - 0 - and \$ - 0 - , respectively, for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

NOTE K - DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources include CARES Act provider relief funding, succeeding year property tax, and pension plan earnings. The CARES Act provider relief funding is to reimburse the Hospital for lost revenues, and operating and capital cost due to COVID-19 through June 30, 2021. The succeeding year property tax represents taxes certified by the County Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Pension earnings represents the net difference between projected and realized earnings on IPERS' investments.

	2020	2019
CARES Act provider relief funding	\$ 3,056,965	\$ --
Succeeding year property tax	1,935,000	1,869,000
Pension earnings	937,849	377,683
	<u>\$ 5,929,814</u>	<u>\$ 2,246,683</u>

NOTE L - AFFILIATED ORGANIZATION

Unity Point Health (Unity Point)

The Hospital has an operating agreement with Unity Point. Under the agreement, the Hospital's Chief Executive Officer is an employee of Unity Point and the Hospital reimburses Unity Point for the cost of the Chief Executive Officer's salary and benefits. The Hospital also pays a monthly fee to Unity Point for management services. Under the terms of the agreement, Unity Point provides management oversight services and consults and works with the Hospital's board in formulating management strategies and recommendations regarding operations. Below is a list of transactions between the Hospital and this affiliate for the years ended June 30, 2020 and 2019:

	2020	2019
Fees to Unity Point for personnel and services	\$ 256,440	\$ 250,720



GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE L - AFFILIATED ORGANIZATION - Continued

Guthrie County Hospital Foundation (the Foundation)

As indicated in Note A1, the Foundation has been identified as a component unit of the Hospital. The Hospital received \$30,045 and \$ 122,818 from the Foundation during the years ended June 30, 2020 and 2019, respectively, for the purchase of property and equipment. The Hospital received \$7,763 and \$1,906 from the Foundation during the years ended June 30, 2020 and 2019, respectively, for operating assistance. As of June 30, 2020, the Foundation has no material pledges receivable related to Hospital projects.

NOTE M - FUNCTIONAL CLASSIFICATION OF EXPENSES

The Foundation's primary program service is providing operating and capital assistance to the Hospital. Most expenses are attributable either to the primary service, or to support activities, however, certain expenses are attributable to both the primary service and to support activities. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocations, mostly time and effort for management and general and fundraising costs.

Expenses by functional classification for the year ended June 30, 2020 consist of the following:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Depreciation	\$ 7,620	\$ --	\$ --	\$ 7,620
Assistance to the Hospital	37,808	--	--	37,808
Professional fees	--	2,940	--	2,940
Vehicle expenses	5,056	--	--	5,056
Other expenses	874	106	4,215	5,195
	<u>\$ 51,358</u>	<u>\$ 3,046</u>	<u>\$ 4,215</u>	<u>\$ 58,619</u>

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Depreciation	\$ 9,040	\$ --	\$ --	\$ 9,040
Assistance to the Hospital	124,724	--	--	124,724
Professional fees	--	6,122	--	6,122
Vehicle expenses	4,793	--	--	4,793
Other expenses	2,851	851	3,891	7,593
	<u>\$ 141,408</u>	<u>\$ 6,973</u>	<u>\$ 3,891</u>	<u>\$ 152,272</u>

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE N - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The Hospital operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The Hospital currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the Hospital contributed \$1,291,584 and plan members eligible for benefits contributed \$204,820 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by Guthrie County Hospital and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>87</u>
Total	<u>89</u>

Net OPEB Obligation: Management of the Hospital considers any OPEB obligation, which may exist, to be immaterial. No liability has been recorded.

NOTE O - COMMITMENTS AND CONTINGENCIES

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Guthrie County Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three fiscal years.

Litigation

The Hospital has been named as a defendant in a lawsuit. Legal counsel is unable to evaluate the eventual outcome of the lawsuit. Management believes that, should any liability eventually result, the Hospital's insurance coverage is adequate to cover any potential settlement. Therefore, no related liability has been accrued.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE O - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress

At June 30, 2020, the Hospital had committed to a generator replacement project with a total estimated cost of \$550,000. Through June 30, 2020 the Hospital had spent \$20,437 on the generator project which is included in construction in progress. The remaining \$499,041 in construction in progress at June 30, 2020 is related to various small projects for which no material commitments exist as of the date of this report. Funding for the generator project and the various other small projects will be provided by funds generated internally.

Clinic Building Lease

Subsequent to June 30, 2020, the Hospital entered into a lease agreement for a building to house a clinic. The lease agreement commenced in November, 2020 with monthly lease payments of approximately \$18,500 for a ten year period.

CARES Act - Provider Relief Funds

The Hospital received \$4,027,312 of provider relief funds through the CARES Act signed into law on March 27, 2020. The funds advanced to the Hospital are to be used for lost revenues attributable to, or expenses incurred to prevent, prepare for and respond to, the coronavirus pandemic. The Hospital has recognized provider relief funds of \$970,347 through June 30, 2021 in these financial statements based on guidance as of the date of the report. In early calendar year 2021, the Hospital will be required to submit documentation to the U.S. Department of Health and Human Services (HHS) and attest to its use of provider relief funds. HHS has continued to provide guidance and clarification on the use of provider relief funds since passage of the CARES Act, and further guidance is expected in the future. Future guidance and clarification from HHS could have a material effect on the amount of provider relief funds recognized by the Hospital.

Off-Balance Sheet Risk

The Foundation maintains approximately \$4,120,000 of its investment portfolio in land and \$65,500 in various mutual funds, none of which are covered by any form of insurance against loss in valuation.

Subsequent Events

The Hospital has evaluated all subsequent events through February 1, 2021, the date the financial statements were available to be issued.

NOTE P - CHANGE IN ACCOUNTING ESTIMATE

As a result of recent decisions made by the Medicare fiscal intermediary related to the allowability of home office costs, the Hospital received additional reimbursement on the settlement of its cost reports for 2014 and 2015. As a result, the Hospital revised its estimate of potential third party payors settlements in 2019. The result of this change in estimate (a \$2,200,000 increase in assets/decrease in liabilities and increase in net revenue) has been reported as part of net patient service revenue on the statement of revenues, expenses and changes in net position.

GUTHRIE COUNTY HOSPITAL  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE Q - MATTERS AFFECTING CURRENT AND SUBSEQUENT YEARS OPERATIONS

On March 11, 2020 the World Health Organization declared the Novel Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of March 16, 2020 the Hospital limited operations per recommendations of the Governor and Department of Public Health and remained limited through June 1, 2020 when the Hospital reopened with modification to operations. The Hospital cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Hospital's financial position, result of activities or cash flows in 2021 and beyond.

NOTE R - NEW ACCOUNTING GUIDANCE IMPLEMENTATION - FOUNDATION

*ASU No. 2018-08*

During the year ended June 30, 2020, the Foundation adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. Analysis of the various provisions of this standard resulted in no significant changes in the way the Foundation recognizes contributions received.

\* \* \*

## REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL  
Budgetary Comparison Schedule  
Year Ended June 30, 2020

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for interest, amortization, and net position differently for financial statement and budget purposes.

	Per the Hospital Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 1,963,426	\$ --	\$ 1,963,426
Other revenues	15,709,864	1,001,011	16,710,875
Transfers in (out)	<u>1,000,392</u>	<u>( 1,000,392)</u>	<u>--</u>
	18,673,682	619	18,674,301
Expenses	<u>17,778,374</u>	<u>--</u>	<u>17,778,374</u>
Net	895,308	619	895,927
Balance beginning of year	<u>9,372,534</u>	<u>264,416</u>	<u>9,636,950</u>
Balance end of year	<u>\$ 10,267,842</u>	<u>\$ 265,035</u>	<u>\$ 10,532,877</u>

	Total Per the Hospital Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,963,426	\$ --	\$ 1,963,426	\$ 1,868,508
Other revenues	<u>16,710,875</u>	<u>26,458</u>	<u>16,737,333</u>	<u>14,765,148</u>
	18,674,301	26,458	18,700,759	16,633,656
Expenses	<u>17,778,374</u>	<u>19,042</u>	<u>17,797,416</u>	<u>20,861,773</u>
Net	895,927	7,416	903,343	( 4,228,117)
Balance beginning of year	<u>9,636,950</u>	<u>( 942,336)</u>	<u>8,694,614</u>	<u>8,694,614</u>
Balance end of year	<u>\$ 10,532,877</u>	<u>\$( 934,920)</u>	<u>\$ 9,597,957</u>	<u>\$ 4,466,497</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL  
Schedule of the Hospital's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Six Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>
Hospital's proportion of the net pension liability	0.095510%	0.097097%
Hospital's proportionate share of the net pension liability	\$ 5,531,000	\$ 6,145,000
Hospital's covered payroll	\$ 7,467,000	\$ 7,111,000
Hospital's proportionate share of the net pension liability as a percentage of its covered payroll	74.07%	86.42%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

Note - In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year. Amounts reported are rounded.

See Independent Auditor's Report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.093875%	0.086795%	0.085555%	0.090996%
\$ 6,253,000	\$ 5,462,000	\$ 4,227,000	\$ 3,609,000
\$ 7,058,000	\$ 6,229,000	\$ 5,868,000	\$ 5,977,000
88.59%	87.69%	72.03%	60.38%
82.21%	81.82%	85.19%	87.61%



GUTHRIE COUNTY HOSPITAL  
Schedule of Hospital Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 721,200	\$ 686,200	\$ 652,700	\$ 625,800
Contributions in relation to the statutorily required contribution	<u>( 721,200)</u>	<u>( 686,200)</u>	<u>( 652,700)</u>	<u>( 625,800)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Hospital's covered payroll	\$ 7,639,000	\$ 7,467,000	\$ 7,111,000	\$ 7,058,000
Contributions as a percentage of covered payroll	9.44%	9.19%	9.18%	8.87%

Note - Amounts reported are rounded

See Independent Auditor's Report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 556,000	\$ 525,000	\$ 531,700	\$ 532,300	\$ 466,700	\$ 399,700
<u>( 556,000)</u>	<u>( 525,000)</u>	<u>( 531,700)</u>	<u>( 532,300)</u>	<u>( 466,700)</u>	<u>( 399,700)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 6,229,000	\$ 5,868,000	\$ 5,977,000	\$ 6,140,000	\$ 5,783,000	\$ 5,751,000
8.93%	8.95%	8.90%	8.67%	8.07%	6.95%

GUTHRIE COUNTY HOSPITAL  
Notes to Required Supplementary Information - Pension Liability  
Year Ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

\* \* \*

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees  
Guthrie County Hospital  
Guthrie Center, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Guthrie County Hospital and its discretely presented component unit, Guthrie County Hospital Foundation, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated February 1, 2021.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Guthrie County Hospital's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Guthrie County Hospital's internal control. Accordingly, we do not express opinions on the effectiveness of Guthrie County Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 20-I-A.

To the Board of Trustees  
Guthrie County Hospital

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie County Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Guthrie County Hospital's Response to Finding

Guthrie County Hospital's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Guthrie County Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Deonwood, Bill, Thylor & Co. P.C.*

Atlantic, Iowa  
February 1, 2021

GUTHRIE COUNTY HOSPITAL  
Schedule of Findings and Responses

Year ended June 30, 2020

Part I: INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Hospital's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Hospital has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Hospital's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

GUTHRIE COUNTY HOSPITAL

Schedule of Findings and Responses - Continued

Year ended June 30, 2020

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

20-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2020 did not exceed the amounts budgeted.

20-II-B Questionable Expenditures: During the audit, we noted no expenditures for parties, banquets or other entertainment for employees or Board members.

20-II-C Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials or employees were noted.

20-II-D Business Transactions: No business transactions between the Hospital and Hospital officials or employees were noted.

20-II-E Restricted Donor Activity: No transactions were noted between the Hospital, Hospital officials, Hospital employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

20-II-F Board Minutes: No transactions requiring Board approval were noted which had not been approved.

20-II-G Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy were noted.

\* \* \*